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Cooperative Enterprise Development as a Key Aspect in Rebuilding Solidarity-Driven Local Economies in the Aftermath of Thirty Years of Destructive Local Neoliberalism

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1. Introduction

With global neoliberal capitalism coming within a hair's breadth of entirely collapsing in late 2008,[1] and with many resigned to the fact that there is a lot more deprivation, pain and humiliation to come, the search for a far more stable, equitable, dignified, environmentally sustainable and democratic/participative economic model is now more urgent than ever for humanity. This paper is about the construction of the economic model that embodies all of these important aspirations – the solidarity economy model – and the central role that cooperative enterprises will play in this important endeavor. I argue here that the key practical task involved in promoting cooperative enterprises involves 'getting the local institutions right'. I maintain that the optimal way to promote the solidarity economy is through the adoption of a 'local developmental state' (LDS) approach, an approach that has achieved much more success around the globe than many analysts are aware, and which in future can and should be directed towards building the solidarity economy model from the bottom-up through a strategic and determined focus upon cooperative enterprise development.

2. Cooperative enterprises as the core of the solidarity economy model

A cooperative enterprise is an enterprise that is owned and controlled by its members, who may be basic producers (e.g., farmers), workers, savers, customers, the local community, and other cooperatives. The cooperative movement was born during the rise of industrial capitalism in the early part of the 19th century. Cooperatives were seen as a much more democratic, fair, humane and also a more efficient enterprise structure into the long-term than investor-driven capitalist enterprises, though, as we shall see, their establishment and operation in a hostile 'capitalist sea' was not always straightforward.[2] But in spite of many obstacles, the cooperative sector soon began to register dramatic expansion right across the world. By the 1900s, the cooperative sector was a major component of all of the world's capitalist economies, and in some sectors, such as agriculture and housing finance, agricultural and financial cooperatives respectively actually played the dominant role.

From the 1950s onwards, the success of the cooperative enterprise led some to envisage an entirely new economic model – the solidarity economy model – which, in so many obvious ways, constituted a far better economic model for humanity to aspire to than free market capitalism.

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[1] This has been quite openly accepted by two of the main global cheer-leaders for neoliberal capitalism – the *Financial Times* and the *Economist*. The *Financial Times* discussed just how close things came to total collapse in 'The future of capitalism', a two-month series of major articles and think-pieces, web-based discussions and video presentations starting in April 2009. Meanwhile, the thoroughly anti-state *Economist* magazine was forced to admit that capitalism was only saved at the very last minute thanks to the 'biggest, broadest and fastest government response in history' - see 'The Great Stabilisation', *The Economist*, 19th December 2009.

[2] One of the leading Guild Socialists in the early 20th century, G.D.H. Cole (1913) feared that the obvious advantages of the cooperative enterprise to humanity might still prove insufficient to replace the capitalist system. He correctly predicted that the most powerful elites within capitalism – the old landowning class, the new class of capitalist industrialists, and the emerging class of media barons – would not simply concede their power, prestige and privilege in the face of the cooperative movement, but would instead defend themselves by taking every opportunity to denigrate, undermine and marginalize it.

From the mid-to-late 1800s onwards, Italy was a trail-blazer for many of the most important advances in the cooperative sector. But it was from the 1950s onwards in Northern Italy that the first European region most closely approximating to the solidarity economy model began to emerge. By 2003, the region of Emilia-Romagna had both the highest number of co-operatives in Italy, the highest proportion of non-agricultural workers employed in cooperatives (nearly 10% in 2001), and the highest proportion of economic activity – more than 40% of its GDP – generated in the co-operative sector. Perhaps most important of all, Emilia-Romagna has regularly topped European 'Quality of Life' surveys thanks to the very high levels of social capital generated through the cooperative-based economic model. According to Stefano Zamagni of the University of Bologna, "*Social capital is highly associated with quality of life everywhere (and) it seems that the co-operatives' emphasis on fairness and respect contribute to the accumulation of social capital here.*" (quoted in Logue, 2005: 25). Importantly, this enormous success was achieved thanks to a raft of local institutions coordinated and financed by newly elected communist and socialist regional governments, especially in 'red' Emilia-Romagna. New and established cooperative enterprises benefitted from affordable finance, thanks to networks of financial cooperatives and Special Credit Institutes (SCIs), but they also received quality support from various local institutions offering business planning, technology acquisition and transfer, member training and education, creative public procurement policies, networking and clustering of cooperatives, and accessing new markets (especially abroad) through trusted intermediaries (Bateman, 2007).

The Basque country of northern Spain soon followed as the other important West European example where moves to build a (regional) solidarity economy have been very successful. Beginning in the town of Mondragon in the late 1950s, the Mondragon Cooperative Corporation (MCC) was to transform the Basque country from one of the poorest regions in Spain into one the richest. MCC's interlinked network of worker cooperatives now spans the entire Basque region, employing nearly 80,000 member-workers in more than 100 cooperatives. Just as in Northern Italy, Mondragon's long-lasting success can also be attributed to a dense network of financial and non-financial support institutions, two of which were decisive here: the *Caja Laboral Popular,* an institution that mobilized savings within the Basque region and then very carefully intermediated these savings back into sustainable cooperative development projects; and, second, an enterprise development unit - *División Empresarial* – that was able to provide individual cooperative projects with quality business planning, member training, contact making, product and process development advice, help to access the right technologies and many other forms of support (Bateman, Girard and McIntyre, 2006).

Finally, very important lessons can be learned from the experience of the first fully-functioning solidarity economy model to emerge at the country-level, in the former Yugoslavia. This was Yugoslavia's pioneering system of 'worker self-management', a solidarity economy model that was established in the early 1950s and was to last until the late 1980s. Although operating imperfectly in many respects, just as under capitalism where the practice greatly diverges from the 'pure' theory that lies behind it, economic performance under worker self-management was initially very sound indeed, and at several times during the 1960s Yugoslavia was officially the fastest growing economy in the world (Horvat, 1982). Once again, the activity and innovation of local institutions proved vital in successfully promoting new and supporting existing worker self-managed enterprises, largely in order to create and preserve decent employment opportunities and expand the local tax base (Bateman, 1993). The system's eventual demise in the late 1980s was mainly related to renewed political interference and other factors unrelated to the operation of the worker self-management system itself (e.g., Yugoslavia's incipient separationist movements).

These three pioneering experiments need to be examined closely by policymakers with an interest today in promoting the solidarity economy model. Indeed, as the neoliberal experiment began to wreak havoc across the developing world in the 1980s and 1990s, these and many other important cooperative experiments were revisited and reevaluated very positively by those who now lie behind the modern solidarity economy movement (Santos, 2006). But if the ultimate aim is becoming clear enough, the core implementation question still remains: *how best to actually create and maintain genuine cooperative enterprises?*

3. Cooperative enterprise development as an aspect of local economic development policy – policy choices to make

Thanks to a much more accurate depiction of the real economic history of the developed capitalist economies, as well of the more recent East Asian 'miracle' economies, we now understand that the common element in this success was not 'free market forces', as many quite wrongly claim (famously in the case of Friedman and Friedman, 1980), but actually the quality of strategic state support that went into the enterprise development process. This fundamental insight from economic history has given rise to what is known as the 'developmental state' model (Amsden, 2001: Chang, 2007, 2011). The most successful economies are those in which the state (national, regional and local) has most competently supported the 'right' type of enterprises, with 'right' broadly defined as small, medium and large enterprises that are:

- formally registered
- operating at or well above minimum efficient scale
- as much as possible operating on the technology frontier
- innovation and skills-driven rather than (just) low labour cost-driven
- horizontally - clusters, networks- and vertically - sub-contracting, supply chains, public procurement - productively inter-connected with other organisations
- able to continually facilitate the creation of new organisational routines and capabilities

At the same time, and for very good reasons (Bateman, 2010, 2013: Bateman and Chang, 2012; see also Baumol, 1990), the 'developmental state' model effectively ignored the 'wrong' enterprises, loosely defined as simple, informal/illegal, isolated, low/no technology, petty trade-based microenterprises and one-person self-employment ventures.

Crucially, this revised understanding of the role of institutions within enterprise development is not just confirmed by the growth of investor-driven enterprises; it is also very much confirmed by the bottom-up country and regional cooperative development experience adumbrated in Section 2 above. What this means then, I suggest, is that if the solidarity economy is to become a genuine reality through the accelerated promotion of cooperative enterprises, *the local institutional support structure issue is an absolutely pivotal one to get right.*

A variety of local institutional models exist that are geared up to supporting enterprise development of all kinds. The precise design of these local institutions is important in very many ways, affecting not only the strategic capability of the institution but also its everyday operational efficiency. The principle design constraints under neoliberalism were ideologically driven ones: first, the imperative that the local institution does not expand state capacity, and, second, that there is no cost to the state. Accordingly, it was required under neoliberalism that all local enterprise development institutions be (re)configured as for-profit non-state bodies operating with a primary mission to 'earn their keep on the market' in order to achieve 'full cost recovery' (Bateman, 2000). Apart from the obvious cost minimization argument, neoliberals also argued that such a for-profit institution would ensure that the services provided were of good quality (so as to win business) and genuinely demanded (evidenced by the fact that there was a willingness to pay). Supporting a for-profit private institution was preferable to support for state capacity, which many neoliberals instinctively felt should not be encouraged or even publicized, *especially when the results were manifestly positive*.[3] For most of the last thirty years, this neoliberal approach to local enterprise development institutions has dominated in international development policy circles.

However, the rather awkward fact is that the neoliberal approach to local institutions does not work. This, for example, was the conclusion of the largest evaluation of such institutions established in post communist Eastern Europe, which found that almost none of the EC-funded local institutions could survive by 'earning their keep on the market' whilst retaining their original mandate to support small businesses and local development (see EuropeAid, 2000). When it became clear that they could generate far more revenue by working with large companies, the government and the international development agencies themselves, most EU-supported local enterprise development institutions simply abandoned their original mandate. In the absence of such revenue streams, however, the typical response was to simply close down, as indeed almost all such local economic development institutions have done in Eastern Europe since 1990 (Bateman, 2005a).

This well-documented record of abject failure was confirmed once again in 2012 in the context of Latin America. A major study contracted out to the author by UNDP (Bateman, 2012) was tasked to look into the operation of the network of 'market-driven' Local Economic Development Agencies (LEDAs) established in Latin America with UNDP technical and financial support. For a long time claimed by UNDP, and especially by its own consultants (Canzanelli, 2010),[4] to be making a

[3] For example, Germans neoliberals were very reluctant to publicise the very central role the state played in bringing about their "*Wirtschaftswunder*" (economic miracle) because of the fear that it would give succor to the planned economies of the East (including the former GDR) during the long years of the Cold War, and to their ideological opponents in the western economies. Although privately very uncomfortable with the significant degree of state intervention in the former West Germany's economic development, in public Germany's neoliberals cynically went along with the propaganda that 'the market' was responsible for West Germany's stunning post-war success (Weiss, 1998).

[4] Prior to the 2012 study by Bateman, all previous evaluations of the LEDA network in Latin America had been undertaken by the same small group of individuals who helped to design and establish the LEDAs and who for many years thereafter provided private consulting services with regards to the

'major contribution' to the economic development of local communities right across Latin America, UNDP's LEDA model was actually found to be in deep crisis everywhere. Most worrying, the very *worst* outcomes were registered in the one country - Colombia – where the LEDA network had been portrayed as the best-performing in *all* of Latin America (Canzanelli, 2011; Las agencias de desarrollo económico local, ADEL, 2011). The principal problems among the many found in Colombia (and elsewhere in Latin America and around the world) included the following: with one exception, Colombia's LEDAs were clearly financially unsustainable; they generated almost no additionality, because they simply competed with other existing local development institutions and Universities for the same projects and clients; they were unable to meaningfully promote public-private dialogue, because they competed with most key public-private stakeholders for the same contracts; and, finally, staff in the one and only LEDA in Colombia that proved successful in raising funds by charging user fees and obtaining consulting contracts after competitive tender procedures, openly admitted to being on course to be sold off to its current and previous managers for that very reason. Notwithstanding, such was the euphoria created over the self-declared success of the LEDA program in Colombia that both the Colombian government and the EU aid office operating in the country were both persuaded to invest even *more* resources into the LEDA network. [5]

Not least because of the adverse outcomes of the market-driven neoliberal paradigm of local institutional support, many developing countries have begun to experiment with more development-driven local institutions capable of offering consistent and quality support to local enterprise development, including to cooperative enterprises. The alternative to the market-driven neoliberal approach to the operation of local development institutions is to be found in a new approach based on an 'empowered' local state. This is the local variation of the 'developmental state' model discussed above, which is known as the 'local developmental state' (LDS) model. The LDS model specifically holds that local governments and associated local institutions have played a decisive strategic planning and promotional role in many of the most successful episodes of local economic development, and in enterprise development in particular (see Bateman, 2000, 2001, 2005b, 2010 especially chapter 7).

4. The LDS model and cooperative enterprise development experience in Latin America

The LDS approach has strategic importance in the context of cooperative enterprise development, and so also in terms of building the solidarity economy. Partly in order to replace the unworkable market-driven model, such as the LEDA's promoted by UNDP, since 2000 many countries in Latin America have increasingly begun to experiment, not unsuccessfully, with variations on the LDS model in order to support cooperative enterprises, as the following examples very usefully demonstrate.

4.1. Ecuador

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management and expansion of the LEDA program: in other words, individuals hardly likely to want to be critical of their own program design and management.

[5] However, as several confidential informants close to the LEDA project openly admitted to the author after the report had been completed, the real reason that UNDP solicited the Colombian government and other organisations to fund the LEDA network was precisely in order to avert its impending collapse.

For a long time marked out as a country with high levels of social inequality, fragility and with generally much more than half of the population below the poverty line, Ecuador has been one of the most active in terms of pioneering a new economic and social model for the 21st century that will remedy the situation. Recent changes in government policy associated with President Rafael Correa, assisted by significantly increased revenues derived from the oil and gas industry and rising agricultural exports (bananas, shrimp, cut flowers), have begun to change matters in a far-reaching way. Principally this is evidence in the radical plans to promote a 'social economy' model as the replacement for the old neoliberal model of economic development that was de facto based on rising inequality, unsustainable resource use, and the effective disempowerment of the poor.

It is envisaged that the economic and social structure in Ecuador will end up as a mixture of small-scale capitalism, cooperativism and democratically-mandated state activism through public ownership. In order to establish this new social economy program, the Ecuadorian government has also embarked on a major program of decentralisation. Local-regional state and quasi-state sub-national institutions are now being given more responsibility, encouragement and financial resources than at any time in Ecuador's history. This very real empowerment of local government has allowed some pro-active LDS-type institutions to emerge and to register some important local development successes.

CONQUITO

One of the local institutions established under the direction of the municipality of Quito, with the support of UNDP, is CONQUITO (*Agencia Metropolitana de Promoción Económicá*).[6] CONQUITO began operations in 2005 and is registered as a private entity owned by the city and other local state authorities. It has seventeen member organisations/shareholders, of which two - the Chamber of Small Industries and the Municipality of Quito – are the key founding partners. UNDP is one of the founder members of CONQUITO and it remains a member of the directive committee with a voice but no vote. Other partners include the Chamber of Industry, Entrepreneurs Association, Commercial Chamber of Quito, National Finance Corporation and other similar civil society organisations. CONQUITO has 70 staff and a budget in 2012 of $6.5 million. Of this amount, in 2012 $1.5 million came from the Municipality of Quito as core budget, with the remaining amount derived from its implementation of a variety of state (national, regional and local) projects. CONQUITO works in a wide variety of local economic development areas, including the provision of business development services, employment promotion, training programs, skills development, job placement, and also managing an incubator facility with space for more than forty businesses.

Crucially, although supported by UNDP, as noted above, CONQUITO is very far removed from the market-driven 'full cost recovery' model promoted by UNDP elsewhere across Latin America. Instead, it has always been provided with a solid budget by the municipality and by other external state and non-state institutions. And although its constitution gives it the legal right to do so, CONQUITO chooses not to

[6] Interview with Sergio Ochoa, Executive Director of CONQUITO, Quito, 25th April, 2012.

compete for contracts alongside private sector consulting companies operating in Quito.[7] Though there is negotiation and feedback loops involving senior staff in CONQUITO and in other local stakeholder institutions, the local state essentially sees CONQUITO as its operational arm, responsible for implementing the strategic policies that emerge from democratically-mandated political bodies. All told, CONQUITO has emerged to become one of Latin America's most powerful and well-regarded local economic development institutions.

Importantly, CONQUITO stands out against the other UNDP-supported LEDAs that are part of the LEDA network in Ecuador. Most of the other LEDAs in Ecuador accord with the UNDP's preferred model of a market-driven LEDA, and so have been unsuccessful as a direct result. Some LEDAs have folded already. But even where they still remain in existence, it is widely agreed that they generate zero net additional impact. For example, ADELOJA (*Agencia de Desarrollo Empresarial Loja*) is a fully private organisation established in 2003.[8] It was founded by the Technical University of Loja and the Chamber of Industries of Loja, with technical support provided the IDB. The market-driven LEDA model was fully 'bought into' by the neoliberal-oriented IDB, just as much as by the more centrist UNDP, and so it was used as the template for ADELOJA's operations. In mid-2102 ADELOJA had a full-time staff of ten individuals. It was not in receipt of any state, private sector or international donor funding, but was instead fully financially self-sustaining thanks to the number of private sector and other competitive contracts it has obtained in competition with local private consulting bodies, NGOs and other bodies. Most of the contracts won by ADELOJA are undertaken by individual and teams of professors from the Technical University of Loja.

Just a few years after its establishment and after having received substantial financial support, it became clear that ADELOJA's activities were simply not in line with its original mandate, which was that it would be a pro-active local economic development institution supporting those activities commensurate with building a sustainable local economy, such as cooperative enterprises. It was not supposed to simply identify work and projects on the basis of maximising the revenue stream to be generated for ADELOJA. Interestingly, when it could no longer be denied that ADELOJA had effectively turned into a private consulting company, the original founders finally felt that they had better act. Accordingly, in 2010 the Provincial government set up what it unofficially called 'a real LEDA'. Known as ADEPLOJA ('Provincial Economic Development Agency in Loja'), this new institution is fully funded by the Provincial government, with some additional funding and technical support provided by UNDP, and its aim is to especially focus upon sustainable local employment generation and furthering the idea of public-private dialogue.

Azuay Provincial economic development department

A further indication of the potential importance of LDS-type capacities, this time with specific reference to cooperative enterprises, comes from the southern province of Azuay. As part of the national movement to construct a 'solidarity economy', the

[7] However, from 2011 onwards CONQUITO has begun to submit more projects to the international development community for possible funding, thus reducing (even if just temporarily) its reliance upon state bodies for funding.
[8] Interview with Diego Lara, Director ADELOJA, Quito, May 26th April, 2012.

Provincial economic department has actively sought out potential cooperative enterprise projects. The most important cooperative development project initiated to date is one that aims to more effectively include small farmers into the agricultural supply chain.[9] Historically, small dairy farmers in Azuay Province have tended to obtain little benefit from dairy activities, with most of the value going to the intermediaries. This binding constraint, at least partly, is held responsible both for the extent of deep rural poverty in the Province and the marked inequality of farmers viz a viz the intermediaries they have to work with. Responding to this specific issue, the Provincial government's economic development department designed a major new project intervention, which went into effect in 2011. The aim was to connect small farmers directly to the market, by-passing the traditional intermediaries, thereby to improve the earnings and security in poor farming communities.[10] The principal intervention was the establishment of Lac Jubones, a dairy processing plant. Lac Jubones was capitalised by $1 million obtained from the Provincial government. Crucially, it is 51% owned by the Provincial government, with 49% owned by a farmer-owned cooperative - Jiron - composed of the smallest commercial farming operations and some 1,200 individual small farmers. A range of other inputs were provided to the farming community, such as low cost credit, grants and training in new techniques, in order that they might improve productivity and also be in a better position to manage the activities of Jiron.

In its just its first year of operation, Lac Jubones became the number two dairy processor on the regional market, second only to a Nestle subsidiary, with contracts to supply dairy products obtained with several of the most important supermarkets in the Province and elsewhere in Ecuador. Importantly, Lac Jubones provides not just a minimum price for milk delivered, which generally small farmers everywhere appreciate far more than the uncertainty of 'spot prices', the farmers involved also obtain security of contract and delivery. Previously, intermediaries would all too often renege on an agreement to purchase milk, leaving farmers with stocks of milk they could do nothing with (other than drop the price substantially in order to get rid of it, or else simply dump it in the local river). This is a traditional disciplining measure used by intermediaries to 'soften up' their clients (the farmers) and ensure that power within the supply chain was always in the hands of the intermediaries. The next phase of the initiative is to pass over to Jiron the 51% of the shares in Lac Jubones owned by the Provincial government. Not least since the project is working very well, the idea emerging is to pass over the shares at a fair price rather than free of charge. The progress so far seems to indicate that a genuine farmers' cooperative will come into being as the majority owner of Lac Jubones. Based on the success of Lac Jubones to date, the Provincial government has now established another proto-cooperative enterprise - Agro Azuay - to essentially do the same thing as Lac Jubones, but this time with regard to fresh fruit and vegetables sector. The ultimate aim of the Provincial government is that, similar to the Danish model (see Federation of Danish Cooperatives and Agricultural Council, 1993), almost the entire agricultural sector in

[9] Interview with Antonio Torres and Gustavo Flores, Economic Development Director and 'Lac Jubones' Project Economist, Azuay Provincial Government Economic Department, Cuenca, May 2nd 2012.

[10] It was also decided that the top-down 'contract farming' model, the preferred agricultural supply chain model in the international development community, would not produce the desired economic *and* social results in the agricultural community.

Azuay Province will be organised along farmer-owned cooperative and secondary cooperative lines.

Importantly, the creative use of state capacity in the case of Azuay Province contrasts with the traditional stance of many in the cooperative movement, which is to decry the involvement of the state in all aspects of the cooperative movement. The experience outlined here highlights instead a wider truth within local economic development, which is that local institutional support is vital to all forms of enterprise development, *but particularly to cooperative enterprise development*.

4.2. Colombia

After many years of narco-terrorist and paramilitary violence, in the late 1990s Colombia finally began to stabilise the social and economic situation. Part of the approach has been, since the mid-1980s, to promote an extensive program of decentralisation. Sub-national governments in Colombia took advantage of this new freedom and began to develop their own (local) development state capacities, policies and programs that ended up at real odds with the wishes of the central government. In particular, the cities of Bogota and Medellin has become something of a pioneer in promoting a new local government-driven model of local economic development that in many respects is building real capacity and flexibility required to address the many prevailing problems at the local level (Gilbert, 2006; Bateman, Duran Ortĩz and Maclean, 2011). This move is also providing the local state capacity – the LDS – required to meaningfully promote a regional-based solidarity economy model.

One of the main thrusts involved in building a regional solidarity economy model is in the form of agricultural development programs. As the example of Azuay Province in Ecuador graphically shows, the most beneficial agricultural structure is an integrated supply chain driven from the bottom-up by farming communities and formally constituted farmer-owned agricultural cooperatives. Similar initiatives are now beginning to emerge in Colombia, as a way to more efficiently integrate groups of farmers into the commercial agricultural system, thereby to ensure that they are the prime beneficiaries of their labour. Colombia's rural poverty is famously a factor of its vastly unequal landholdings and plantation farming system, but even in sectors where small farmers predominate (such as coffee), the real benefits were always appropriated by a wealthy elite involved in its processing, packaging, distribution and final sale.

Proto-cooperatives and 'local consumption and distribution cycles' in Bogota

One such proto-cooperative project was initiated in the capital city of Bogota with technical support from the British NGO Oxfam (see Oxfam GB, 2011). The origin of the scheme was in a plan initiated by the Office of the Mayor of Bogota in 2004, which aimed to better supply Bogota with its fresh food through the 'lowest cost' principle and also to ensure that the way that food was consumed in Bogota would underpin a much more economically, socially and environmentally efficient system of food production. Initial investigation confirmed that the small farmers in Colombia (as everywhere else around the world) find it very hard to make a decent living from their activities around big cities, partly because commercially savvy intermediaries control the local market (distribution and retail) and so are able to appropriate most of the value in the agricultural chain. It was soon realised that the Mayor's plan was likely to make rural poverty around Bogota even worse than ever if it stuck with the 'lowest cost' principle.

Accordingly, a new design was called for, one that saw the 'lowest price' principle replaced by 'a fair price' principle. Moreover, with help from the Mayor's Office, the farmers were able to establish their own farmers market in Bogota where they could deliver and sell on their produce without recourse to the traditional intermediary. As in many global locations, simply cutting out the traditional intermediary turned out to be far more important to raising the level of financial rewards for farmers than simply raising the prices through the aforementioned 'fair price' principle. Another innovation that helped here was to invite representatives from the farmers' communities to engage in the public-private dialogue process in order to argue their case for change, and for the new local farming model to be supported more extensively. With success in evidence from this original scheme in Bogota centre, more than thirty municipalities in the area around Bogotá then decided to organize their own local markets in a similar way, and they soon generated similar positive outcomes for the farmers and for the wider community. This 'local production and consumption cycle' model, initially based on 'communities of farmers' but with the obvious potential to gradually progress towards registered farmer-owned cooperatives, is now being extended to the cities of Medellín and Cali. This project follows a number of other projects in Latin America, in that it helps agricultural communities build the required proto-cooperative foundations upon which genuine farmer-owned agricultural cooperatives can thereafter emerge.

Alimentos Nariño

Another important example of pro-poor utilisation of state capacity is in Nariño Province in the south of Colombia. Historically one of the poorest and most deprived provinces in Colombia, and then in the 1970s further undermined by the presence within its borders of substantial guerilla- and narco-violence, the agricultural sector is the economic mainstay of the region. However, few farmers in the Province have been able to move beyond simple subsistence farming, not least because the traditional landowning elite in Colombia continues to own and operate the very best land, as well as possessing the best market opportunities for their outputs, either directly or through networks of trusted intermediaries. Poor farmers have generally produced simply for home consumption and for the local market. Unless decisive action was taken, it was generally thought that this adverse situation was unlikely to change. Apparently influenced by the success of the Lac Jubones example described above, the Regional Governor of Nariño (a former Secretary of Agriculture) began to take decisive action. Beginning in Tulcan, a small town on Colombia's border with Ecuador,[11] a project was established that aimed to organize and support the region's small farmers in creating an intermediary enterprise that would directly help them and not, as in the past, mainly exploit their weak bargaining position. Pointedly, all previous efforts by the farmers to establish some sort of intermediary had been

[11] Interview with Javier Andres Cuaical Alpala, General Manager, '*Alimentos Nariño*', Tulcan, Colombia, 25th April, 2012.

blocked by the region's powerful private agricultural interests, so it as clear that external capacity-building support would be needed if anything was to really change.

Following extensive consultation and sensitizing meetings in the farming communities, the outlines of the project were hammered out. The project started in 2011 with the construction of a processing company - *Alimentos Nariño* – which was designed to process, package and mainly export the output of the several thousand farmers in the one locality that had been most eager to participate (because it was one of the poorest in Nariño). At the same time, a farmer-owned cooperative was established that will own 80% of *Alimentos Nariño,* with individual farmers putting up a small sum of money to buy into the venture as farmer-members. The cooperative is to elect its own officials and also receive capacity-building support, an important factor given that in the past such ventures had failed because of the weakness of internal management. Ownership of 10% of *Alimentos Nariño* remains with the Regional Government, 8% is owned by various sympathetic local businesses and NGOs active with the farmers, with a 2% stake owned by the local economic development agency (LEDA) that provided some of the technical support for the project. The Regional Government plans to recycle any future dividends from its 10% ownership stake into a social venture capital fund that will provide support for new enterprise development. With solid support from marketing professionals hired by the regional government, by 2012 – even before the processing plant had been fully completed - a major contract was signed with Unifresh, a Miami-based company, which would see it import a range of fresh fruit and vegetables from *Alimentos Nariño.* Other US-based companies are also interested in linking up with *Alimentos Nariño* to import their outputs. With a secure market for their outputs, and one that offers better prices than local sale, the members of the new cooperative are enthusiastic and have been taking advantage of training and capacity-building efforts so that this time their cooperative might actually have a real chance to succeed into the longer-run.

6. Conclusion

There has been growing publicity about the solidarity economy model and the cooperative enterprises that will constitute its core. However, the precise mechanisms and institutions needed to establish and support such cooperative enterprises remain vastly under-researched and (so) only weakly conceptualised. This paper argues that 'getting the local institutions right' is the most important aspect involved in creating the solidarity economy model in practice, and, furthermore, that the 'local developmental state' approach contains the most fruitful line of enquiry in this regard. The historic examples from Europe share a common feature with the case studies drawn from Latin America today in that all were operationalised thanks to the pro-activity of local governments and a willingness to act, change, regulate, promote and otherwise constructively intervene to generate pro-development outcomes. Now that most ideologically-driven restrictions on state capacity have come to an end, as the manifest failures of global anti-statist neoliberalism have become apparent right around the world, the opportunity exists as never before to promote the local capacities associated with the LDS model, and so also rapidly yet sustainably expand the role of cooperative enterprises in the economy. The solidarity economy will thus be a big step closer to becoming a practical reality, as opposed to simply an uplifting idea.

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